

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 864 - HB 1086

March 2, 2019

SUMMARY OF BILL: Exempts from state and local sales and use tax all sales of car detailing services.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue – Net Impact – Exceeds \$642,600

Decrease Local Revenue – Net Impact – Exceeds \$262,200

Assumptions:

- Total annual sales of car detailing services in this state is unknown, but is reasonably estimated to exceed \$10,000,000 statewide.
- The current state sales tax rate is 7.0 percent; the average local option sales tax rate is estimated to be 2.5 percent; the effective rate of apportionment to local government pursuant to the state-shared allocation is estimated to be 3.617 percent.
- The recurring decrease in state sales tax revenue, beginning in FY19-20, is estimated to be \$674,681 $[(\$10,000,000 \times 7.0\%) - (\$10,000,000 \times 7.0\% \times 3.617\%)]$.
- The recurring decrease in local sales tax revenue, beginning in FY19-20, is estimated to be \$275,319 $[(\$10,000,000 \times 2.5\%) + (\$10,000,000 \times 7.0\% \times 3.617\%)]$.
- Fifty percent of tax savings, or \$475,000 $[(\$674,681 + \$275,319) \times 50\%]$, will be spent in the economy on other sales-taxable goods and services.
- The recurring increase in state sales tax collections is estimated to be \$32,047 $[(\$475,000 \times 7.0\%) - (\$475,000 \times 7.0\% \times 3.617\%)]$.
- The recurring increase in local sales tax collections is estimated to be \$13,078 $[(\$475,000 \times 2.5\%) + (\$475,000 \times 7.0\% \times 3.617\%)]$.
- The net recurring decrease in state revenue as a result of this legislation is estimated to be \$642,634 $(\$674,681 - \$32,047)$.
- The net recurring decrease in local revenue as a result of this bill is estimated to be \$262,241 $(\$275,319 - \$13,078)$.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Krista Lee Carsner". The signature is written in a cursive, flowing style.

Krista Lee Carsner, Executive Director

/jdb